

**REGULAR STATE CREDIT UNION BOARD MEETING  
HELD BY CONFERENCE CALL  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**September 8, 2006**

The regular meeting of the State Credit Union Board was called to order by Chairman Karsky in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:42 a.m., Friday, September 8, 2006.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)  
Paul Brucker, Member (*Office*)  
Judy A. Millar, Member (*West Fargo*)  
Melanie Stillwell, Member (*Williston*)  
Steven S. Tonneson, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)  
Jim Laidlaw, Chief Examiner – Credit Unions (*Office*)  
Corey Krebs, Financial Institutions Examiner (*Office*)  
Todd Van Orman, Financial Institutions Examiner (*Office*)  
Darwin Brokke, Citizens Community CU (*Devils Lake*)

**MINUTES PREVIOUSLY APPROVED BY MAIL**

Chairman Karsky indicated the Board had previously received and approved the minutes of the regular meeting held on June 23, 2006.

## **CITIZENS COMMUNITY CREDIT UNION, DEVILS LAKE – APPLICATION TO ESTABLISH A BRANCH**

Assistant Commissioner Entringer reviewed his Memorandum, noting that the application was received on July 19, 2006, a copy of which is enclosed along with projections for the Board's review. Notice of the application was published in the *Grand Forks Herald* on July 27, 2006. No comments were received concerning the application, nor have there been any requests for copies of the application.

Assistant Commissioner Entringer indicated Citizens Community Credit Union is proposing to establish a branch at the Wal-Mart Store located at 2551 32<sup>nd</sup> Avenue South, Grand Forks, and the branch is within the credit union's current field of membership so there is no request to expand the credit union's field of membership at this time. The projections included with the application indicate the branch will lose money the first two years of operation and when coupled with the projected losses for the branch which was approved at the June 2006 meeting, projected losses for both locations in Grand Forks aggregate \$289,302 in the first year, \$207,179 in the second year, and \$19,062 in the third year. The first year aggregate projected losses represent nearly 22% of December 31, 2005, net income and 35% of net income as of June 30, 2006. The credit union will be leasing the location and the anticipated cost of prepaid expenses, leasehold improvements, and furniture, fixtures, and equipment is estimated to be \$318,000.

North Dakota Administrative Code Section 13-03-15-04 sets forth the criteria a credit union must follow when applying to establish a branch. The credit union's Board of Directors did approve the branch application on May 15, 2006.

The North Dakota Administrative Code also sets forth the requirements the State Credit Union Board will consider for the branch application, including whether an open charter credit union applying to establish a branch is also applying to expand its field of membership. This application does not include an application to expand the field of membership.

The State Credit Union Board must also address the negative impact to other state or federally chartered credit unions in North Dakota, and the applicant credit union already operates in Grand Forks with one branch and an additional branch is approved but not yet open. It is felt the impact to any other credit union would be minimal since there is no field of membership expansion, and the credit union already operates in this market.

The State Credit Union Board must also consider any expressed opposition to the branch by any other credit union in North Dakota, and there were no comments or opposition concerning this branch application.

If the branch application is by an open chartered credit union the Board must consider whether the area being considered is satisfactorily served by a currently operating credit union. As indicated earlier, this credit union has this area in its field of membership and the branch is expected to accommodate those members who have requested access to accounts at a location in south Grand Forks.

The State Credit Union Board must consider whether or not the credit union has the ability to succeed with the branch, and as indicated in the projections the branch will not show a profit for two years; however, the overall operation of the credit union is expected to remain profitable.

President Brokke indicated this is big step for the credit union as they are used to fairly low overhead expenses, and the lease payment for this location is \$3,250 per month; however, the credit union's total fixed asset investment is fairly low. President Brokke stated when this opportunity was presented to them they were very excited because it provides a huge consumer market they may not be able to tap because of this location. In addition President Brokke stated they have had a lot of requests from members asking when the credit union was going to get a south Grand Forks location. This location will provide a more convenient location for their 2,350 members that shop in the south Grand Forks area, and also provides an opportunity for growth with potential new members.

President Brokke indicated he felt credit union members and Wal-Mart customers have a lot of commonalities demographically and the credit union is going to present its services to them in a convenient fashion. Through research, President Brokke stated it appears to take 15,000 customers per week to make this a breakeven proposition and Wal-Mart told them they expect 50,000 to 80,000 shoppers per week, which is well above any breakeven point.

President Brokke indicated the company that works with Wal-Mart on these locations indicates they will help with training of their individuals and they will use the opportunity to get out and market their services within the store. President Brokke stated he has heard of both success and failure with regard to these types of stores, but there does appear to be the opportunity for deposit growth which is one thing the credit union does need.

President Brokke, in answer to Chairman Karsky's question, indicated the branch has to be open 54 hours per week, but they have not yet determined what those hours will actually be.

Chairman Karsky asked how this location will impact the credit union's Hugo location, and President Brokke indicated this is a completely different market and does not feel it will impact the Hugo location in the long term, as it does provide a convenient location for the people that live and work on the north side of Grand Forks.

Member Tonneson asked President Brokke if he was comfortable with the projected loss, as far as how it would impact the credit union. President Brokke indicated he is never comfortable with the proposition of losing money; however, overall the credit union is doing well financially and the projections show that it will drop its return on assets from over 2% to about 1¾ and then move back up to over 2% by 2009.

Member Tonneson asked about the lease term and renewal options, and President Brokke indicated it is an initial five-year lease with two five-year renewal options completely at the discretion of the credit union.

Chairman Karsky asked if a manager has been identified, and President Brokke indicated not completely but he does have a current employee he feels has the skills necessary to operate this branch successfully.

Chairman Karsky asked when the branch will be open, and President Brokke indicated a tentative opening is scheduled for October 25, 2006.

Assistant Commissioner Entringer noted it is the Department's recommendation to approve the application by Citizens Community Credit Union, Devils Lake, to establish a branch at the Wal-Mart Store, 2551 32<sup>nd</sup> Avenue South, Grand Forks. Assistant Commissioner Entringer noted there is a proposed Order for the Board's consideration, which would include authorizing Chairman Karsky to sign the Order on behalf of the Board.

**It was moved by Member Brucker, seconded by Member Millar, and unanimously carried to approve the application by Citizens Community Credit Union, Devils Lake, to establish a branch at the Wal-Mart Store, 2551 32<sup>nd</sup> Avenue South, Grand Forks, and that Chairman Karsky is authorized to sign the Amended Order of behalf of the Board.**

President Brokke left the conference call at 9:56 a.m.

## **RAY CO-OPERATIVE CREDIT UNION, RAY – APPLICATION TO EXPAND ITS FIELD OF MEMBERSHIP**

Chairman Karsky reviewed his Memorandum dated July 28, 2006, noting the application was received on July 25, 2006, and includes a proposal to expand the field of membership from a 50 mile radius of Ray to a 75 mile radius of Ray. Notice of the application was published in McKenzie, Dunn, Mercer, Ward, and Renville Counties and was also included in the Department's *Monthly Bulletin*.

North Dakota Administrative Code Chapter 13-03-14 requires a credit union to comply with the following criteria when applying to expand its field of membership. The credit union's Board of Directors must approve the expansion of the field of membership; this approval was granted on May 15, 2006. The Department received the application to expand the field of membership on July 25, 2006, and included the Amendment of Bylaws within the application. Notice was published according to the North Dakota Administrative Code and the notice did include the required information.

Section 13-03-14-02 sets forth the criteria the State Credit Union Board must consider with an application to expand a field of membership. (1) If the expansion is for an open charter the exact geographical boundaries or a stated radius from the principle or branch office must be clearly spelled out; the credit union is expanding the membership using a radius from the home office which would appear to comply with this Section. (2) The negative impact to other state or federally chartered credit unions must be considered; the credit union is expanding its field of membership as permitted by state law and will not impact any other credit union. (3) The expressed need in the expansion area must be considered; the credit union indicates it is hoping to acquire additional membership to help stabilize the credit union and make it more profitable. (4) Any expressed opposition must be considered; no opposition has been expressed. (5) If the expansion is for an open charter, the Board must consider whether the area being considered is satisfactorily served by a currently operating credit union. It would appear the current field of membership overlaps with several other credit unions and the additional expansion of field of membership would include the major cities of Kenmare and Parshall; however, this should have limited impact on the credit unions in these areas. (6) The credit union must demonstrate the ability to succeed in expanding its field of membership. As indicated in the application the credit union will be profitable by

expanding its field of membership; however, since the credit union is currently operating and is not establishing any additional branches, the additional expenses are minimal and the impact on the credit union will be limited. (7) Any relevant public comment in favor of or in opposition to expanding the field of membership must be considered; the Department has not received any comments for or against the application.

Chairman Karsky indicated it is the Department's recommendation to approve the expansion of the field of membership for Ray Co-operative Credit Union from a 50 mile radius to a 75 mile radius.

Assistant Commissioner Entringer added that the Articles of Amendment to the Bylaws indicate a 75 mile radius of Ray; however, the law requires it to be from the home office.

Chairman Karsky indicated based on the projections which indicate increased net profit of \$1,000 for the first year on up to \$5,600 in the third year, the Department feels this would be a positive move for the credit union.

Assistant Commissioner Entringer noted there is also a proposed amendment to the bylaws changing what constitutes a quorum for a meeting of members, and Chairman Karsky indicated that will be considered as a separate item.

**It was moved by Member Tonneson, seconded by Member Stillwell, and unanimously carried to approve the application by Ray Co-operative Credit Union, Ray, to expand its field of membership as amended.**

Chairman Karsky indicated the credit union is proposing to amend Article VI, Section 2, of the bylaws which sets the quorum at an annual or special meeting at 15 members.

Member Stillwell questioned the date of the meeting which is March 15, 1997, noting that the President on the Articles of Amendment is Mark Walsh compared to the Amendment for the field of membership the President is Michael Peple. Assistant Commissioner Entringer stated that they did include minutes from 1997 noting that the members had approved the Amendment to the Bylaws and it would appear that they just never got submitted to the Department.

**It was moved by Member Millar, seconded by Member Stillwell, and unanimously carried to approve the Articles of Amendment to the Bylaws for**

**Ray Co-operative Credit Union, Ray, to amend Article VI, Section 2, to state 15 members will constitute a quorum at an annual or special meeting.**

**TOWN AND COUNTRY CREDIT UNION, MINOT – REQUEST TO  
EXTEND THE DEADLINE FOR OPENING ITS BRANCH AT 1720 SOUTH  
UNIVERSITY DRIVE, FARGO**

Assistant Commissioner Entringer reviewed the letter from President Rodger Denny wherein he requests an extension for an additional year to open its branch at 1720 South University Drive, Fargo, as the credit union is still working with Meritcare Hospital to establish the location within that facility. President Denny's letter indicates the projected total cost will be the same as previously submitted with the original application.

Assistant Commissioner Entringer noted the original application was submitted in 2004 with a deadline of June 2005; the Board granted an extension in May 2005 to June 2006; this is the second request for an extension. Assistant Commissioner Entringer indicated he informed President Denny that would probably be the last extension the Board would grant and if the credit union had not established the branch by June 2007, a new application would have to be submitted to establish this branch. According to President Denny the hospital is being remodeled and the least of their priorities is the location for the credit union.

Member Tonneson asked if there is any limit on the number of extensions. Chairman Karsky indicated there is not; however, the original application was submitted in 2004 and three years later the numbers get to be stale, which is the rationale to request a new application.

**It was moved by Member Brucker, seconded by Member Tonneson, and unanimously carried to approve the request for an extension for Town and Country Credit Union, Minot, to establish its branch at 1720 South University Drive, Fargo, to June 2007.**

**FIRST COMMUNITY CREDIT UNION, JAMESTOWN – REQUEST FOR AN EXTENSION ON ITS APPLICATION TO ESTABLISH A BRANCH IN WAL-MART, HIGHWAY 83 & SKYLINE BOULEVARD, BISMARCK, TO DECEMBER 14, 2007**

**It was moved by Member Millar, seconded by Member Brucker, and unanimously carried to approve the extension request by First Community Credit Union, Jamestown, to allow them until December 14, 2007, to open the Wal-Mart Branch location at Highway 83 & Skyline Boulevard.**

The Board went into closed session at 10:11 a.m.

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Timothy J. Karsky, Chairman

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Robert J. Entringer, Secretary